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**State of Montana
Office of the Legislative Auditor**

**REPORT TO THE LEGISLATURE
BILLINGS
VOCATIONAL-TECHNICAL
CENTER**

**Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1985**

This report addresses five recommendations to the center. The report contains concerns regarding the center's:

- ▶ Accounting Records
- ▶ Personal Service Expenditures
- ▶ Student "Full-time Equivalent" Reporting
- ▶ Management of Endowment Cash

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FINANCIAL-COMPLIANCE AUDITS


Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant impact on the financial schedules. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office.

Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

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Office of the Legislative Auditor
BILLINGS VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1985

Members of the audit staff involved in this audit were: Lorry Parriman, Audit Manager; Jim Manning, Audit Supervisor; Pearl Highland, Senior Auditor; and Dan Gaughan, Bill O'Donnell, and Brian Zwang, Staff Auditors.

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STATE OF MONTANA

Office of the Legislative Auditor

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SCOTT A. SEACAT
LEGISLATIVE AUDITOR

April 1986

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Billings Vocational-Technical Center's financial activity for fiscal years 1983-84 and 1984-85. The center's written response to audit recommendations is included in the back of the audit report.

We thank the director and the center's staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in black ink, reading "Scott A. Seacat".
Scott A. Seacat
Legislative Auditor

TABLE OF CONTENTS

	<u>Page</u>
Administrative and Elected Officials	iii
Summary of Recommendations	iv
Introduction	1
Center Background and Organization	1
Summary of Prior Audit Recommendations	2
Accounting Records	3
Personal Service Expenditures	5
Enrollment Reporting	7
Endowment Management	8
Legal Compliance	9
Cash Balance	10
Internal Control	11
Auditor's Opinion Letter and Agency Financial Schedules	
Summary of Audit Opinion	
Auditor's Opinion Letter	12
Schedule of Changes in Fund Balance for the Two Fiscal Years Ended June 30, 1985	18
Schedule of Revenue and Transfers In Estimate and Actual for the Fiscal Year Ended June 30, 1985	19
Schedule of Revenue and Transfers In Estimate and Actual for the Fiscal Year Ended June 30, 1984	20
Schedule of Program Expenditures and Transfers Out By Fund - Budget and Actual for the Fiscal Year Ended June 30, 1985	21

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Schedule of Program Expenditures and Transfers Out By Fund - Budget and Actual for the Fiscal Year Ended June 30, 1984	22
Schedule of Program Expenditures and Transfers Out By Object for the Fiscal Year Ended June 30, 1985	23
Schedule of Program Expenditures and Transfers Out By Object for the Fiscal Year Ended June 30, 1984	24
Schedule of Additions and Deductions to Agency Fund Assets for the Two Fiscal Years Ended June 30, 1985	25
Schedule of Grant Expenditures for the Two Fiscal Years Ended June 30, 1985	26
Schedule of Full-Time Equivalent (FTE) Students for the Two Fiscal Years Ended June 30, 1985	27
Notes to the Financial Schedules	28
Center Response	34

ADMINISTRATIVE AND ELECTED OFFICIALS

BILLINGS VOCATIONAL-TECHNICAL CENTER

J. Jeffrey Dietz	Director
Alan J. Anderson	Associate Director
George Day	Admissions Counselor and Registrar
Jack D. Holzer	Financial Aid and Placement Officer
Richard Peterson	Business Manager
Bart Putnam	Counselor

OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION

Ed Argenbright	Superintendent of Public Instruction and Executive Officer of Vocational Education
Gene Christiaansen	Assistant Superintendent for Vocational Education Services
Rosellen Frisbee	Accounting Assistant Supervisor

BILLINGS PUBLIC SCHOOLS

<u>Board of Trustees, School District No.2</u>	<u>Term Expires</u>
Karen T. Doolen, Chairperson	April 1987
Wendell Wardell, Vice Chairperson	April 1987
Katharin A. Kelker	April 1986
Gerald Murphy	April 1986
Howard J. Simmons (resigned 10/31/85)	
Frank Kolendich (appointed to complete term 11/1/85)	April 1986
Robert T. Hanley	April 1988
Daniel Short	April 1988
Conrad F. Stroebe	April 1988

Superintendent

William K. Poston, Jr.

District Personnel

Gary Steuerwald	Business Manager
Dick D. Reich	Clerk and Supervisor of Accounting

SUMMARY OF RECOMMENDATIONS

This report addresses five recommendations to the center directed to reducing accounting and FTE reporting errors and improving the management of its endowments. The listing below serves as a means of summarizing the recommendations contained in the report and the center's reply.

Page

Recommendation #1

The center:

- A. Provide additional SBAS accounting training to appropriate personnel. 5

Center Response: Concur. See page 34.

- B. Obtain guidance and clarification of state accounting policy from the Department of Administration when needed. 5

Center Response: Concur. See page 34.

- C. Analyze monthly accounting reports for reasonableness. 5

Center Response: Concur. See page 34.

- D. Correct the accounting records for the misstatements noted during the audit. 5

Center Response: Concur. See page 34.

Recommendation #2

The center:

- A. Work with Billings Public School District No. 2 to determine the period to which benefit payment amounts reported by the School District apply. 6

Center Response: Concur. See page 34.

- B. Continue reconciling SBAS payroll amounts, including advances, to the school district's payroll records. 7

Center Response: Concur. See page 34.

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Recommendation #3

The center:

- A. Establish procedures to ensure accurate preparation of student enrollment reports.

8

Center Response: Concur. See page 35.

- B. Submit a corrected twelfth day enrollment report for winter quarter 1985.

8

Center Response: Concur. See page 35.

Recommendation #4

The center invest all Endowment Funds.

9

Center Response: Concur. See page 35.

Recommendation #5

The center refund the unobligated CETA cash balance to the grantor and close the CETA account on SBAS.

10

Center Response: Concur. See page 35.

INTRODUCTION

We performed a financial-compliance audit of the Billings Vocational-Technical Center (BVTC) for the two fiscal years ended June 30, 1985. Our audit objectives were to:

1. Present an opinion as to whether the financial schedules prepared from the center's Statewide Budgeting and Accounting System (SBAS) records are fairly presented in accordance with state accounting policy for the two fiscal years ended June 30, 1985;
2. Verify the reasonableness of student contact hours and enrollment statistics reported by the center to the Office of the Superintendent of Public Instruction;
3. Make recommendations for improvement in the management and internal controls of the center; and
4. Determine if the center complied with applicable state and federal laws and regulations.

This report contains five recommendations to the center. These recommendations address areas where financial reporting, management, and compliance with laws and regulations can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of the center's programs are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the related recommendation.

CENTER BACKGROUND AND ORGANIZATION

In 1969, the 41st Legislative Assembly of Montana created the Billings Vocational-Technical Center, along with four other post-secondary vocational-technical centers located in Butte, Great Falls, Helena, and Missoula. The center's stated mission is to provide instruction and vocational education services at the post-secondary level to meet present and emerging local, state, regional,

and national occupational needs. The center provides vocational-technical education for entry level employment, upgrading, retraining, and preparation for new occupations. A related purpose is to provide the business community with a resource for prospective employees, continuing education, and training facilities.

The Billings center opened in September 1969 with an enrollment of 87 students. Between 1969 and 1978, the center offered twelve programs in nine rented facilities throughout the city of Billings. A building program instituted in 1977 was completed in 1980, and all of the center's programs are now consolidated on a single campus. The center currently offers 25 options for career development within the following nine programs:

1. Air Conditioning and Refrigeration
2. Automotive Collision Repair
3. Business
4. Drafting
5. Food Service
6. General and Related Instruction
7. Health Occupations
8. Mechanics
9. Welding

Enrollment at the center exceeded 450 part-time and full-time students in Spring Quarter 1985. (See page 27 for the Schedule of Full-time Equivalent Students for the two fiscal years ended June 30, 1985).

SUMMARY OF PRIOR AUDIT RECOMMENDATIONS

The audit of the Billings Vocational-Technical Center for the two fiscal years ended June 30, 1983, was performed under contract with our office. That audit report directed 14 recommendations to the center that are still applicable to its operations. We reviewed the status of these recommendations and found the center implemented 10, partially implemented 1, and did not implement 3 of the recommendations. The four recommendations that were either partially implemented or not implemented concerned accounting errors. Similar errors occurred during the current audit period and are discussed in the following section of this report.

ACCOUNTING RECORDS

We found several errors in the center's financial records for fiscal years 1983-84 and 1984-85. The magnitude of the accounting errors discussed in items 1 through 8 below affect the reasonableness of the financial schedules and are discussed in the opinion, beginning on page 12. Since the center's financial records are used by center personnel, the Office of Public Instruction, budget analysts, the Legislature, and others for budgeting, report preparation, management, and informational purposes, it is essential that these records be accurately maintained in accordance with state accounting policy.

Examples of the center's accounting errors include:

1. Center personnel reduced a receivable in the clearing account for federal funds when the funds were received. Since a receivable had never been established, this resulted in a \$191,500 negative receivable and related negative fund balance in the Agency Fund at June 30, 1985. The center corrected these negative balances in January 1986.
2. During fiscal year-end 1983-84, the center corrected an object of expenditure classification using a procedure that automatically assigned receivable and payable accounts rather than cash. Since the error was made prior to June 30, the correction should have been made with the cash control account. This resulted in a \$75,477 overstatement of receivables and payables in the Current Unrestricted Fund at June 30, 1984.
3. Center personnel recorded the bookstore inventory adjustment for June 30, 1983, in fiscal year 1983-84 as a current, rather than a prior year, expenditure. This resulted in a \$29,531 overstatement of expenditures and understatement of prior year expenditure adjustments in the Auxiliary Fund in fiscal year 1983-84.
4. During fiscal year 1983-84, the center recorded an endowment as revenue in the Restricted Fund rather than the Endowment Fund. When moving the funds out of the Restricted Fund, center personnel used a direct entry to fund balance rather than reversing the original entry to revenue. The center should have reduced revenue and eliminated the fund balance entry by \$13,870 in the Restricted Fund.

5. Center personnel deposited the \$11,929 proceeds from its June 1984 and June 1985 auctions of obsolete equipment in the Auxiliary Fund's bookstore account. According to state law, these proceeds should have been deposited in the Designated Fund.
6. The center recorded financial activity for Pell grants in the Agency Fund until state accounting policy changed during fiscal year 1984-85 and required this activity be recorded in the Restricted Fund. Consequently, the center recorded Pell activity in both funds during that fiscal year. Center personnel moved the \$9,734 of Pell funds recorded in the Agency Fund at the beginning of fiscal year 1984-85 to the Restricted Fund by recording an expenditure in the Agency Fund. Center personnel should have abated revenue in the Agency Fund instead, to prevent double-recording of Pell activity.
7. The center recognized \$5,850 of revenue in fiscal year 1982-83 for 75 percent advances related to the Guidance and Personnel Development grants. Because the grants required proof of expenditure before the grantor reimbursed the center for the remainder of the cost (i.e., the center had to spend the money in order to earn it), the center should not have recognized the revenue until the corresponding expenditures were incurred in fiscal year 1983-84. The center also recognized \$600 of expenditures in fiscal year 1982-83 that were not incurred until fiscal year 1983-84. State accounting policy states that an expenditure has not been incurred until goods and services are received.
8. When two warrants for Pell grants were cancelled, the center recorded the cancellations in the wrong accounting entity, resulting in a \$2,326 overstatement of revenues and expenditures in the Restricted Fund during fiscal year 1984-85.

Center personnel stated that the accounting errors discussed above resulted from the complicated accounting structure for vocational-technical centers. Center personnel further stated that due to the center's accounting structure, they needed more staff to handle day-to-day financial activity and a clear set of accounting policies for vocational-technical centers. The accounting structure for vocational-technical centers was simplified and the center hired an additional accounting clerk in fiscal year 1985-86. The center could reduce the number of accounting errors by providing additional training to personnel who code, review, and

approve accounting documents. The training should enable the center to record transactions in accordance with state accounting policy as outlined in the Montana Operations Manual. Center personnel should contact the Department of Administration's Accounting Division to obtain guidance or clarification of state accounting policy when questions arise or unusual transactions, such as receipt of auction proceeds occur.

The person responsible for reviewing and approving accounting documents should also review the monthly accounting reports for reasonableness. The center could detect some coding errors by reviewing the monthly general ledgers and determining the cause of unusual items, such as negative account balances. The center could detect other errors by reviewing the funding sources on the monthly responsibility center reports for propriety. When center personnel detect errors, they should correct SBAS as needed.

RECOMMENDATION #1

WE RECOMMEND THE CENTER:

- A. PROVIDE ADDITIONAL SBAS ACCOUNTING TRAINING TO APPROPRIATE PERSONNEL.
- B. OBTAIN GUIDANCE AND CLARIFICATION OF STATE ACCOUNTING POLICY FROM THE DEPARTMENT OF ADMINISTRATION WHEN NEEDED.
- C. ANALYZE MONTHLY ACCOUNTING REPORTS FOR REASONABLENESS.
- D. CORRECT THE ACCOUNTING RECORDS FOR THE MISSTATEMENTS NOTED DURING THE AUDIT.

PERSONAL SERVICE EXPENDITURES

Billings Public School District No. 2 processes the center's payroll. We compared payroll expenditures by object of expenditure and noted that fiscal year 1984-85 salaries (\$1,079,976) increased over fiscal year 1983-84 (\$1,062,014) without a

corresponding increase in benefits. In fact, the center's fiscal year 1984-85 SBAS payroll records reflect an increase in salaries and a decrease in benefits (from \$227,788 to \$193,924).

It appears that a material amount of payroll benefit expenditures attributable to fiscal year 1984-85 salaries are not recorded on SBAS. School district and center personnel said this could have happened due to the differences between the district's payroll system and the center's accounting system, and due to timing differences. The main difference between the two entities' is that the center charges summer school salaries to the next fiscal year and the district does not. Center personnel stated they could not reconcile payroll amounts because the School District does not disclose the period(s) to which benefit payment amounts apply on the monthly payroll reports sent to the center.

In addition, fiscal year 1984-85 SBAS records report \$320,605 of voted millage advanced to the School District at year-end for payroll. School District No. 2 reported the balance of the center's payroll advances was \$14,100 at June 30, 1985. The center's manual records indicate the balance of payroll advances at year-end was \$52,468. The unreconciled differences represent an additional indication of potential unrecorded payroll expenditures. The center accounted for most of the differences in the payroll advance amounts, but should complete the reconciliation to ensure all amounts are recorded.

The center should continue to work with Billings Public School District No. 2 to determine the reasons for discrepancies between the center's and the district's payroll records.

RECOMMENDATION #2

WE RECOMMEND THE CENTER:

- A. WORK WITH BILLINGS PUBLIC SCHOOL DISTRICT NO. 2 TO DETERMINE THE PERIOD TO WHICH BENEFIT PAYMENT AMOUNTS REPORTED BY THE SCHOOL DISTRICT APPLY.

- B. CONTINUE RECONCILING SBAS PAYROLL AMOUNTS, INCLUDING ADVANCES, TO THE SCHOOL DISTRICT'S PAYROLL RECORDS.

ENROLLMENT REPORTING

State funding for vocational-technical centers is based, in part, on the number of full-time equivalent (FTE) students expected to enroll for educational programs. The Office of Public Instruction (OPI) established the current policy for calculating and reporting student contact hours and FTE at vocational-technical centers in February 1983. This policy defines a student FTE as 1,000 hours of student/teacher classroom contact per year, or 333.3 hours contact per quarter.

The center's instruction budget, a portion of the equipment budget, and indirectly the support program budget, are impacted by FTE increases and decreases. Enrollment projections for the 1987 biennium were based on historical enrollment levels with consideration given to recent trends and facility enhancements. Since the FTE reported by the center are a basis for its funding, it is important that the center report FTE accurately.

As part of our audit of the center, we reviewed the Twelfth Day reports prepared by center personnel and submitted to the OPI for summer quarter 1983 through spring quarter 1985. Twelfth Day reports are the documents used to calculate the number of FTEs for each quarter. The documents are prepared based on enrollment data as of the 12th day of each quarter. During our audit of the center, we found several errors in the contact hour and FTE amounts recorded on these reports. Most of the errors were not significant. However, for winter quarter 1985, the center reported 76.47 FTE enrolled in the Accounting/Bookkeeping option. The correct FTE amount of 37.35 was overstated by 39.12 FTE, which is a 105 percent overstatement for the option and an 8 percent overstatement of the center's total FTE for the quarter.

The errors resulted primarily due to the following:

1. The reports were prepared by different people each quarter, due to personnel changes at the center, so employees responsible for preparing the reports were not familiar with OPI's policy for reporting enrollment. For example, center personnel divided reported student contact hours by 333, rather than the 333.3 required by OPI.
2. Except for the business program options, the center lists the students enrolled in each option separately. Students enrolled in business program options are listed together in alphabetical order, rather than by option, which hinders accurate computation of student contact hours and FTE for these options. All of the errors we detected occurred in the business program.

To facilitate accurate reporting of FTE, and consequently, equitable funding of the center, center personnel should establish formal procedures that:

1. Aid personnel in preparing accurate reports (such as preparing separate supporting enrollment reports for each option); and
2. Establish a process for review of the reports by the center prior to submission to OPI.

RECOMMENDATION #3

WE RECOMMEND THE CENTER:

- A. ESTABLISH PROCEDURES TO ENSURE ACCURATE PREPARATION OF STUDENT ENROLLMENT REPORTS.
- B. SUBMIT A CORRECTED TWELFTH DAY ENROLLMENT REPORT FOR WINTER QUARTER 1985.

ENDOWMENT MANAGEMENT

The center received \$11,320 "to be used as endowment scholarships for the Nursing Program" on December 28, 1981. These funds were initially held and invested by Billings School District No. 2 on behalf of the center. On May 7, 1984, the center

deposited the \$11,320 endowment corpus and the \$2,549 of related investment earnings in the State Treasury.

Although the Office of Public Instruction notified all center directors in January 1984 of the center's eligibility to participate in the state's investment pool, center officials did not realize the endowment funds should be invested and did not know whether they were invested. As of March 1986, the center has not invested the endowment funds. We estimate the center lost over \$1,600 of investment earnings, (and, therefore, future scholarship funds), from May 7, 1984, to June 30, 1985.

The center should invest all endowment funds to ensure the funds are used to full potential and in accordance with the endowment agreements.

RECOMMENDATION #4

WE RECOMMEND THE CENTER INVEST ALL ENDOWMENT FUNDS.

LEGAL COMPLIANCE

We have examined the financial schedules of the Billings Vocational-Technical Center for the two fiscal years ended June 30, 1984 and 1985, and have issued our report thereon dated February 14, 1986. Our examination was performed in accordance with generally accepted auditing standards and Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Accordingly, we reviewed the state and federal laws and regulations which could have a material impact on the center's financial operations.

Our audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget "Circular A-110," "Circular A-21," and the student aid audit guide prescribed by the U.S. Department of Education, March 1984. Circular A-110 provides for audits of financial operations,

including compliance with certain provisions of federal law and regulations. Circular A-21 discusses allowable costs.

The center received funds as a grantee and subgrantee from agencies listed on page 26. We reviewed the major compliance areas for the Personnel Grant, Guidance Grant, and Student Financial Aid programs. Areas reviewed included:

1. eligibility determination,
2. specific grant provisions,
3. cost allowability, and
4. grantor reports.

In our opinion, the center complied with applicable state and federal laws and regulations for the transactions tested except as noted below and on item 5 on page 4. For those transactions not tested, nothing came to our attention in connection with our examination that caused us to believe that the center was not in compliance with applicable laws and regulations.

Cash Balance

The Comprehensive Employment Training Act (CETA) account on SBAS has not been closed out although the CETA grant is closed. The only activity in the CETA account between July 1, 1983, and December 31, 1985, consisted of closing the fund balance by creating a liability "Due to the Federal Government." Circular A-110, Attachment K, section 3(b), requires grant recipients to immediately refund any unobligated cash balance to the grantor. The center should refund the unobligated CETA cash balance of \$161.70 to the grantor and close the CETA account on SBAS immediately.

RECOMMENDATION #5

WE RECOMMEND THE CENTER REFUND THE UNOBLIGATED CETA CASH BALANCE TO THE GRANTOR AND CLOSE THE CETA ACCOUNT ON SBAS.

INTERNAL CONTROL

We have examined financial schedules of the Billings Vocational-Technical Center for the two fiscal years ended June 30, 1984 and 1985, and have issued our report thereon dated February 14, 1986. Our examination was made in accordance with generally accepted auditing standards and the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions for financial-compliance audits.

Solely to assist us in planning and performing our examination, we made a study and evaluation of the center's control system. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because it was more efficient to perform substantive audit tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the Billings Vocational-Technical Center's system of internal accounting control taken as a whole. Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose all material weaknesses in the system of internal accounting control. However, our study disclosed conditions that could result in financial schedule errors that would be difficult to detect. These conditions relating to accounting errors are discussed on pages 3 through 5.

These conditions were considered in determining the nature, timing, and extent of the audit tests of the financial schedules. This report on internal control does not affect our opinion on the financial schedules.

The preceding three paragraphs are intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

AUDITOR'S OPINION LETTER
AND AGENCY FINANCIAL SCHEDULES

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented.

We issued an adverse opinion on the schedules listed in paragraph 14 of the auditor's opinion on pages 15 and 16. The reader should not place reliance on the amounts presented in these schedules.

We issued a qualified opinion on the schedules listed in paragraph 15 of the auditor's opinion on pages 16 and 17. The reader may rely on the fairness of the amounts presented in these schedules except for those specific items discussed in paragraphs eight through thirteen.

We issued an unqualified opinion on the schedules listed in paragraph 16 of the auditor's opinion on page 17. The reader may rely on the fairness of the amounts presented on these schedules when analyzing the center's operations.

STATE OF MONTANA

Office of the Legislative Auditor

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PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY



OTT A. SEACAT
LEGISLATIVE AUDITOR

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Schedule of Changes in Fund Balance; the Schedules of Revenue and Transfers In - Estimate and Actual; the Schedules of Program Expenditures and Transfers Out by Fund - Budget and Actual; the Schedules of Program Expenditures and Transfers Out by Object; the Schedule of Additions and Deductions to Agency Fund Assets; and the Schedule of Full-Time Equivalent (FTE) Students of the Billings Vocational-Technical Center for the fiscal years ending June 30, 1984, and 1985. Our examination was made in accordance with generally accepted auditing standards and Standards for Audit of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the center's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Center personnel reduced a receivable in the clearing account for federal funds when the funds were received. Since a receivable had not been initially established for the funds, this resulted in a \$191,500 understatement of fiscal year 1984-85 additions to Agency Fund - Clearing Assets and June 30, 1985, asset balance.

The center recognized \$5,850 in revenue in fiscal year 1982-83 for 75 percent advances related to the Guidance and Personnel Development grants. Because the grants required proof of expenditure before the grantor reimbursed the center for the remainder of the cost, the center should not have recognized the revenue until the corresponding expenditures were incurred in fiscal year 1983-84. The center also recognized \$600 of expenditures in fiscal year 1982-83 that were not incurred until fiscal year 1983-84. As a result, Restricted Subfund revenues were understated and Prior Year Revenue Adjustments overstated by \$5,850 and expenditures were understated and Prior Year Expenditure Adjustments overstated by \$600 in fiscal year 1983-84.

During fiscal year 1983-84, the center recorded an endowment as revenue in the Restricted Subfund rather than the Endowment Fund. When correcting this error, center personnel used a direct entry to fund balance rather than reversing the original entry to revenue. This resulted in a \$13,870 overstatement of revenues and understatement of direct entries to fund balance in the Restricted Subfund for fiscal year 1983-84.

The center recorded financial activity in the Restricted Subfund for money it handled as an agent from third parties on behalf of students. According to state policy, this activity should have been accounted for in the Agency Fund. This resulted in a \$3,486 overstatement of Restricted Subfund revenues and expenditures and understatement of Additions and Deductions to Other Agency Fund Assets in fiscal year 1983-84.

The center charged audit cost expenditures to the Instruction, rather than the Institutional Support, Program. As a result, contracted service expenditures are overstated in the Instruction Program and understated in the Institutional Support Program by \$4,919 in fiscal year 1983-84 in the General Fund.

The center received scholarship moneys prior to fiscal year 1983-84 that it did not record in its financial records. As a result, the July 1, 1983, and June 30, 1985, Fund Balances are understated by \$1,500 and \$1,442, respectively. Also, fiscal year

1984-85 operating expenses in the Scholarships and Fellowships Program and investment earnings revenue are understated by \$180 and \$122, respectively, in the Restricted Subfund.

Center personnel recorded the bookstore inventory adjustment for June 30, 1983, in fiscal year 1983-84 as a current, rather than a prior year, expenditure. This resulted in a \$29,531 overstatement of Auxiliary Enterprise Program expenditures (other operating expenses) and understatement of prior year expenditure adjustments in the Auxiliary Subfund in fiscal year 1983-84.

The center charged College Work-Study expenditures as operating, rather than personal services, expenditures during fiscal years 1983-84 and 1984-85. This resulted in the following understatements of hourly wages (personal services) and overstatements of contracted services (operating expenses):

	<u>Fiscal Year 1984-85</u>	<u>Fiscal Year 1983-84</u>
Academic Support Program		
Unrestricted Subfund	\$ 432	\$ 438
Restricted Subfund	<u>1,763</u>	<u>1,824</u>
Total Academic Support Program	<u>\$2,195</u>	<u>\$2,262</u>
Plant Operations & Maintenance Program		
Unrestricted Subfund	\$1,563	\$1,658
Restricted Subfund	<u>6,218</u>	<u>6,583</u>
Total Plant Operations & Maintenance Program	<u>\$7,781</u>	<u>\$8,241</u>

Center personnel deposited the proceeds from its June 1984 and June 1985 auctions of obsolete equipment in the Auxiliary Subfund in fiscal year 1984-85. The proceeds should have been deposited in the Designated Subfund in the fiscal year earned. As a result, fiscal year 1984-85 sale of documents, merchandise, and property revenue and the June 30, 1985, Fund Balance in the Auxiliary Subfund are overstated by \$6,744. The above errors also resulted in the following Designated Subfund understatements:

	<u>Fiscal Year 1984-85</u>	<u>Fiscal Year 1983-84</u>
Sale of Documents, Merchandise, and Property Revenues	<u>\$ 5,999</u>	<u>\$7,711</u>
Operating Expenses:		
Contracted Services	\$ 600	\$ 771
Communications	<u>214</u>	<u>196</u>
Total Operating Expenses and Expenditures	<u>\$ 814</u>	<u>\$ 967</u>
June 30, 1985 Fund Balance	<u>\$11,929</u>	

Based on a comparison of employee benefits to salaries and wages, we estimate that the center did not record \$48,300 of employee benefits expenditures in fiscal year 1984-85. This resulted in the following estimated personal service expenditure understatements by program in the Unrestricted Subfund:

<u>Program</u>	<u>Amount of Understatement</u>
Instruction	\$32,600
Academic Support	4,400
Student Services	4,400
Institutional Support	4,200
Plant Operation and Maintenance	<u>2,700</u>
Total	<u>\$48,300</u>

This misstatement also affects footnote 5 regarding the center's pension plan.

The center incorrectly computed winter quarter 1985 student enrollment. As a result, student FTE and contact hours are overstated by 39 and 13,039, respectively, on the Schedule of Full-Time Equivalent (FTE) Students for winter quarter 1985.

In our opinion, because of the matters discussed in paragraphs three through ten, the financial schedules listed below do not present fairly, in conformity with the basis of accounting

described in Note 1, the results of operations and changes in fund balance of such funds of the Billings Vocational-Technical Center for each of the fiscal years ended June 30, 1984, and 1985.

<u>Schedule Name</u>	<u>Fund-Subfund</u>	<u>Fiscal Year</u>
Schedule of Changes in Fund Balance	Current - Restricted	Two Fiscal Years Ended June 30, 1985
Schedule of Revenue and Transfers In - Estimate and Actual	Current - Restricted	1984
Schedule of Program Expenditures and Transfers Out by Fund - Budget and Actual	Current - Restricted	1984
	Current - Auxiliary	1984
Schedule of Program Expenditures and Transfers Out by Object		1984
Schedule of Additions and Deductions to Agency Fund Assets	Agency	Two Fiscal Years Ended June 30, 1985

In our opinion, except for the effects of matters discussed in paragraphs eight through thirteen, the financial schedules listed below present fairly the results of operations and the changes in fund balance of such funds of the Billings Vocational-Technical Center for each of the fiscal years ended June 30, 1984, and 1985, in conformity with the basis of accounting described in Note 1 which, except for the change, with which we concur, in the recording of Pell transactions, as described in Note 6 to the financial schedules, have been applied on a consistent basis.

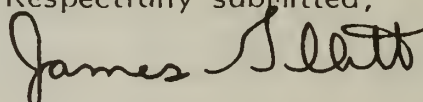
<u>Schedule Name</u>	<u>Fund-Subfund</u>	<u>Fiscal Year</u>
Schedule of Changes in Fund Balance	Current - Designated	Two Fiscal Years
	Current - Auxiliary	Ended June 30, 1985
Schedule of Revenue and Transfers In - Estimate and Actual	Current - Designated	1984, 1985
	Current - Auxiliary	1985

<u>Schedule Name</u>	<u>Fund-Subfund</u>	<u>Fiscal Year</u>
Schedule of Program Expenditures and Transfers Out by Fund - Budget and Actual	Current - Unrestricted	1984
Schedule of Program Expenditures and Transfers Out by Object		1985

In our opinion, the financial schedules listed below present fairly the results of operations and the changes in fund balance of such funds of the Billings Vocational-Technical Center for each of the fiscal years ended June 30, 1984, and 1985, in conformity with the basis of accounting described in Note 1 which, except for the change, with which we concur, in the recording of Pell transactions, as described in Note 6 to the financial schedules, have been applied on a consistent basis.

<u>Schedule Name</u>	<u>Fund-Subfund</u>	<u>Fiscal Year</u>
Schedule of Changes in Fund Balance	General Special Revenue Current-Unrestricted Endowment	Two Fiscal Years Ended June 30, 1985
Schedule of Revenue and Transfers In - Estimate and Actual	Special Revenue Current-Unrestricted Current-Auxiliary General Current-Restricted	1984, 1985 1984, 1985 1984 1985 1985
Schedule of Program Expenditures and Transfers Out by Fund - Budget and Actual	General Special Revenue Current-Designated Current-Unrestricted Current-Restricted Current-Auxiliary	1984, 1985 1984, 1985 1984, 1985 1985 1985 1985
Schedule of Grant Expenditures		1984, 1985

Respectfully submitted,



James Gillett, CPA
Deputy Legislative Auditor

February 14, 1986

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

	General Fund	Special Revenue Fund	Unrestricted Subfund	Restricted Subfund	Designated Subfund	Auxiliary Subfund	Endowment Fund
FUND BALANCE, JULY 1, 1983	\$ -0-	\$ 2,620	\$ (53,062)	\$ 7,964	\$ 45,478	\$ 75,769	\$ -0-
ADDITIONS:							
Fiscal Year 1983-84							
Budgeted Revenue and Transfers In		849,241	1,650,851				
Nonbudgeted Revenue and Transfers In				40,534	124,814	73,922	
Total Revenue and Transfers In	-0-	849,241	1,650,851	40,534	124,814	73,922	-0-
Prior Year Transfers In Adjustment	9,280		10,758				
Support from State of Montana	498,890						
Direct Entry to Fund Balance	176,489 ¹		36,471				13,870
Fiscal Year 1984-85							
Budgeted Revenue and Transfers In		877,700	1,815,812				
Nonbudgeted Revenue and Transfers In	24,956			200,483	96,599	94,686	
Revenue Refunds		(3,994)					
Total Revenue and Transfers In	24,956	873,706	1,815,812	200,483	96,599	94,686	-0-
Prior Year Revenue Adjustment				1,952			
Prior Year Transfers In Adjustment			(8,214)				
Prior Year Transfers In			27,689				
Support from State of Montana	751,144						
Total Additions	1,460,759	1,722,947	3,533,367	242,969	221,413	168,608	13,870
REDUCTIONS:							
Fiscal Year 1983-84							
Budgeted Expenditures and Transfers							
Out	684,658	831,112	1,678,540				
Nonbudgeted Expenditures and							
Transfers Out				30,895	104,005	92,551	
Total Expenditures and							
Transfers Out	684,658	831,112	1,678,540	30,895	104,005	92,551	-0-
Prior Year Expenditure Adjustment			(5,983)				
Prior Year Transfers Out Adjustment		(3,469)					
Direct Entries to Fund Balance		12,152		13,870			
Fiscal Year 1984-85							
Budgeted Expenditures and Transfers							
Out	767,984	878,122	1,813,336				
Nonbudgeted Expenditures and							
Transfers Out				202,557	91,672	70,972	-0-
Total Expenditures and							
Transfers Out	767,984	878,122	1,813,336	202,557	91,672	70,972	
Prior Year Expenditure Adjustment			(8,064)				
Prior Year Transfers Out Adjustment	8,117	7,650					
Direct Entry to Fund Balance							500
Total Reductions	1,460,759	1,725,567	3,477,829	247,322	195,677	163,523	500
FUND BALANCE, JUNE 30, 1985	\$ -0-	\$ -0-	\$ 2,476	\$ 3,611	\$ 71,214	\$ 80,854	\$ 13,370

¹The majority of this amount is the reversion of millage.

These schedules are prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 28 through 33.

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF REVENUE AND TRANSFERS IN
ESTIMATE AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>Taxes</u>	<u>Service Fees</u>	<u>Reimbursements</u>	<u>Sale of Documents, Merchandise, & Property</u>	<u>Transfers</u>	<u>Federal Assistance</u>	<u>Miscellaneous</u>	<u>Total</u>
GENERAL FUND								
Estimated Revenue & Transfers In	\$ -0-	\$ -0-						\$ -0-
Actual Revenue & Transfers In	20,540	4,416						24,956
Collections Over(Under) Estimate	<u>\$ 20,540</u>	<u>\$ 4,416</u>						<u>\$ 24,956</u>
SPECIAL REVENUE FUND								
Estimated Revenue & Transfers In	\$ 309,765	\$281,340	\$163,000		\$ 125,935			\$ 880,040
Actual Revenue & Transfers In	309,765	249,736	188,270		125,935			873,706
Collections Over(Under) Estimate	<u>\$ -0-</u>	<u>\$ (31,604)</u>	<u>\$ 25,270</u>		<u>\$ -0-</u>			<u>\$ (6,334)</u>
CURRENT FUNDS								
UNRESTRICTED SUBFUND								
Estimated Revenue & Transfers In	\$ 404,312				\$ 3,557,726			\$ 3,962,038
Actual Revenue & Transfers In	169,752				1,646,060			1,815,812
Collections Over(Under) Estimate	<u>\$ (234,560)</u>				<u>\$ (1,911,666)</u>			<u>\$ (2,146,226)</u>
RESTRICTED SUBFUND								
Estimated Revenue & Transfers In						\$ -0-		\$ -0-
Actual Revenue & Transfers In						200,483		200,483
Collections Over(Under) Estimate						<u>\$200,483</u>		<u>\$ 200,483</u>
DESIGNATED SUBFUND								
Estimated Revenue & Transfers In				\$ -0-				\$ -0-
Actual Revenue & Transfers In				96,599				96,599
Collections Over(Under) Estimate				<u>\$96,599</u>				<u>\$ 96,599</u>
AUXILIARY SUBFUND								
Estimated Revenue & Transfers In				\$ -0-			\$ -0-	\$ -0-
Actual Revenue & Transfers In				94,932			(246)	94,686
Collections Over(Under) Estimate				<u>\$94,932</u>			<u>\$ (246)</u>	<u>\$ 94,686</u>

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BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF REVENUE AND TRANSFERS IN
ESTIMATE AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	<u>Taxes</u>	<u>Service Fees</u>	<u>Reimbursements</u>	<u>Sale of Documents, Merchandise, & Property</u>	<u>Grants, Gifts, Bequests, & Donations</u>	<u>Transfers</u>	<u>Federal Assistance</u>	<u>Total</u>
SPECIAL REVENUE FUND								
Estimated Revenue & Transfer In	\$ 302,993	\$250,470	\$163,000			\$ 117,930		\$ 834,393
Actual Revenue & Transfer In	<u>308,606</u>	<u>255,336</u>	<u>167,369</u>			<u>117,930</u>		<u>849,241</u>
Collections Over(Under) Estimate	<u>\$ 5,613</u>	<u>\$ 4,866</u>	<u>\$ 4,369</u>			<u>\$ -0-</u>		<u>\$ 14,848</u>
CURRENT FUNDS								
UNRESTRICTED SUBFUND								
Estimated Revenue & Transfer In	\$ 326,785					\$1,534,832		\$1,861,617
Actual Revenue & Transfer In	<u>140,000</u>					<u>1,510,851</u>		<u>1,650,851</u>
Collections Over(Under) Estimate	<u>\$(186,785)</u>					<u>\$ (23,981)</u>		<u>\$ (210,766)</u>
RESTRICTED SUBFUND								
Estimated Revenue & Transfer In					\$-0-		\$ 141,606	\$ 141,606
Actual Revenue & Transfer In					<u>5,559</u>		<u>34,975</u>	<u>40,534</u>
Collections Over(Under) Estimate					<u>\$5,559</u>		<u>\$(106,631)</u>	<u>\$ (101,072)</u>
DESIGNATED SUBFUND								
Estimated Revenue & Transfer In		\$ -0-		\$ -0-				\$ -0-
Actual Revenue & Transfer In		<u>5,901</u>		<u>118,913</u>				<u>124,814</u>
Collections Over(Under) Estimate		<u>\$ 5,901</u>		<u>\$118,913</u>				<u>\$ 124,814</u>
AUXILIARY SUBFUND								
Estimated Revenue & Transfer In				\$ -0-				\$ -0-
Actual Revenue & Transfer In				<u>73,922</u>				<u>73,922</u>
Collections Over(Under) Estimate				<u>\$ 73,922</u>				<u>\$ 73,922</u>

The General Fund had no revenue or transfers in and, therefore, does not appear on this schedule.

These schedules are prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 28 through 33.

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	Instruction	Academic Support	Student Services	Institutional Support	Plant Operation & Maintenance	Scholarships and Fellowships	Auxiliary Enterprise	State Fund Transfers	Total
GENERAL FUND									
Budget	\$ 12,581							\$ 767,938	\$ 780,519
Actual									
Operating Expenses	46								46
Transfers								767,938	767,938
Total Actual	46							767,938	767,984
Unspent Appropriation Authority	\$ 12,535							\$ -0-	\$ 12,535
SPECIAL REVENUE FUND									
Budget								\$ 905,310	\$ 905,310
Actual									
Transfers								878,122	878,122
Total Actual								878,122	878,122
Unspent Appropriation Authority								\$ 27,188	\$ 27,188
CURRENT FUNDS									
UNRESTRICTED SUBFUND									
Budget	\$2,230,852	\$ -0-	\$ -0-	\$ -0-	\$ -0-				\$2,230,852
Actual									
Personal Services	860,724	114,846	116,659	109,137	71,330				1,272,696
Operating Expenses	109,298	39,858	23,305	9,299	166,332				348,092
Equipment	192,548								192,548
Total Actual	1,162,570	154,704	139,964	118,436	237,662				1,813,336
Unspent Appropriation Authority	\$1,068,282	\$(154,704)	\$(139,964)	\$(118,436)	\$(237,662)				\$ 417,516
RESTRICTED SUBFUND									
Budget		\$ -0-	\$ -0-		\$ -0-	\$ -0-			\$ -0-
Actual									
Operating Expenses		1,763	500		6,218				8,481
Equipment			4,364						4,364
Grants						189,712			189,712
Total Actual		1,763	4,864		6,218	189,712			202,557
Unspent Appropriation Authority		\$(1,763)	\$(4,864)		\$(6,218)	\$(189,712)			\$(202,557)
DESIGNATED SUBFUND									
Budget	\$ -0-		\$ -0-						\$ -0-
Actual									
Operating Expenses	74,090		355						74,445
Equipment	386		16,841						17,227
Total Actual	74,476		17,196						91,672
Unspent Appropriation Authority	\$(74,476)		\$(17,196)						\$(91,672)
AUXILIARY SUBFUND									
Budget							\$ -0-		\$ -0-
Actual									
Operating Expenses							70,972		70,972
Total Actual							70,972		70,972
Unspent Appropriation Authority							\$(70,972)		\$(70,972)
ALL FUNDS									
Budget	\$2,243,433	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$1,673,248	
Actual									
Personal Services	860,724	114,846	116,659	109,137	71,330				
Operating Expenses	183,434	41,621	24,160	9,299	172,550		70,972		
Equipment	192,934		21,205						
Grants						189,712			
Transfers								1,646,060	
Total Actual	1,237,092	156,467	162,024	118,436	243,880	189,712	70,972	1,646,060	
Unspent Appropriation Authority	\$1,006,341	\$(156,467)	\$(162,024)	\$(118,436)	\$(243,880)	\$(189,712)	\$(70,972)	\$ 27,188	

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BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	Instruction	Academic Support	Student Services	Institutional Support	Plant Operation & Maintenance	Scholarships and Fellowships	Auxiliary Enterprise	State Fund Transfers	Total
GENERAL FUND									
Budget	\$ 17,500							\$ 696,070	\$ 713,570
Actual									
Operating Expenses	4,919								4,919
Transfers								679,739	679,739
Total Actual	4,919							679,739	684,658
Unspent Appropriation Authority	\$ 12,581							\$ 16,331	\$ 28,912
SPECIAL REVENUE FUND									
Budget								\$ 838,762	\$ 838,762
Actual									
Transfers								831,112	831,112
Total Actual								831,112	831,112
Unspent Appropriation Authority								\$ 7,650	\$ 7,650
CURRENT FUNDS									
UNRESTRICTED SUBFUND									
Budget	\$1,861,617	\$ -0-	\$ -0-	\$ -0-	\$ -0-				\$1,861,617
Actual									
Personal Services	934,808	90,362	105,809	92,340	64,144				1,287,463
Operating Expenses	134,466	19,526	8,818	12,055	188,354				363,219
Equipment	27,858								27,858
Total Actual	1,097,132	109,888	114,627	104,395	252,498				1,678,540
Unspent Appropriation Authority	\$ 764,485	\$ (109,888)	\$ (114,627)	\$ (104,395)	\$ (252,498)				\$ 183,077
RESTRICTED SUBFUND									
Budget		\$ -0-	\$ -0-		\$ -0-	\$ -0-			\$ -0-
Actual									
Operating Expenses		2,023	4,345		6,583				12,951
Equipment			5,984						5,984
Grants						11,960			11,960
Total Actual		2,023	10,329		6,583	11,960			30,895
Unspent Appropriation Authority		\$ (2,023)	\$ (10,329)		\$ (6,583)	\$ (11,960)			\$ (30,895)
DESIGNATED SUBFUND									
Budget	\$ -0-								\$ -0-
Actual									
Personal Services	539								539
Operating Expenses	103,466								103,466
Total Actual	104,005								104,005
Unspent Appropriation Authority	\$ (104,005)								\$ (104,005)
AUXILIARY SUBFUND									
Budget							\$ -0-		\$ -0-
Actual									
Operating Expenses							92,551		92,551
Total Actual							92,551		92,551
Unspent Appropriation Authority							\$ (92,551)		\$ (92,551)
ALL FUNDS									
Budget	\$1,879,117	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$1,534,832	
Actual									
Personal Services	935,347	90,362	105,809	92,340	64,144				
Operating Expenses	242,851	21,549	13,163	12,055	194,937		92,551		
Equipment	27,858		5,984						
Grants									
Transfers						11,960			
Total Actual	1,206,056	111,911	124,956	104,395	259,081	11,960	92,551	1,510,851	
Unspent Appropriation Authority	\$ 673,061	\$ (111,911)	\$ (124,956)	\$ (104,395)	\$ (259,081)	\$ (11,960)	\$ (92,551)	\$ 23,981	

These schedules are prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 28 through 33.

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Plant Operation & Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>State Fund Transfers</u>	<u>Total</u>
PERSONAL SERVICES									
Salaries	\$ 716,910	\$ 77,255	\$ 75,809	\$ 46,301					\$ 916,275
Hourly Wages	12,363	20,033	22,592	47,625	\$ 60,022				162,635
Employee Benefits	131,451	17,558	18,258	15,211	11,308				193,786
Total Personal Services	<u>860,724</u>	<u>114,846</u>	<u>116,659</u>	<u>109,137</u>	<u>71,330</u>				<u>1,272,696</u>
OPERATING EXPENSES									
Contracted Services	1,089	14,586	8,124	110	11,425		\$ 10		35,344
Supplies and Materials	134,872	20,027	4,397	3,155	7,800		668		170,919
Communications	15	224	6,642	424	8,388				15,693
Travel	1,408	918	1,826	4,428					8,580
Rent	300								300
Utilities					85,740				85,740
Repair and Maintenance	9,990	1,049	104	284	9,121				20,548
Other Expenses	589	4,817	3,067	898	50,076		2,492		61,939
Goods Purchased for Resale	35,171						67,802		102,973
Total Operating Expenses	<u>183,434</u>	<u>41,621</u>	<u>24,160</u>	<u>9,299</u>	<u>172,550</u>		<u>70,972</u>		<u>502,036</u>
EQUIPMENT									
Total Equipment	<u>192,934</u>		<u>21,205</u>						<u>214,139</u>
GRANTS									
From State Sources						\$ 700			700
From Federal Sources						189,012			189,012
Total Grants						<u>189,712</u>			<u>189,712</u>
TRANSFERS									
Mandatory Transfers								\$1,646,060	1,646,060
Total Transfers								<u>1,646,060</u>	<u>1,646,060</u>
TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT	<u>\$1,237,092</u>	<u>\$156,467</u>	<u>\$162,024</u>	<u>\$118,436</u>	<u>\$243,880</u>	<u>\$189,712</u>	<u>\$70,972</u>	<u>\$1,646,060</u>	

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BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Plant Operation & Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprise</u>	<u>State Fund Transfers</u>	<u>Total</u>
PERSONAL SERVICES									
Salaries	\$ 758,071	\$ 51,763	\$ 61,011	\$ 46,007					\$ 916,852
Hourly Wages	16,429	22,563	24,907	28,810	\$ 50,836				143,545
Employee Benefits	160,847	16,036	19,891	17,523	13,308				227,605
Total Personal Services	<u>935,347</u>	<u>90,362</u>	<u>105,809</u>	<u>92,340</u>	<u>64,144</u>				<u>1,288,002</u>
OPERATING EXPENSES									
Contracted Services		11,415		688	10,778				22,881
Supplies and Materials	150,454	8,105	3,265	6,532	8,911		\$ 230		177,497
Communications	35		5,077	106	7,760		8		12,986
Travel	2,450	2,059	853	1,688					7,050
Utilities					75,872				75,872
Repair and Maintenance	5,540			1,818	16,073				23,431
Other Expenses	3,166	(30)	1,059	1,223	75,543		25,592		106,553
Goods Purchased for Resale	81,206		2,909				66,721		150,836
Total Operating Expenses	<u>242,851</u>	<u>21,549</u>	<u>13,163</u>	<u>12,055</u>	<u>194,937</u>		<u>92,551</u>		<u>577,106</u>
EQUIPMENT									
Total Equipment	<u>27,858</u>		<u>5,984</u>						<u>33,842</u>
GRANTS									
From State Sources						\$ 4,010			4,010
From Federal Sources						7,950			7,950
Total Grants						<u>11,960</u>			<u>11,960</u>
TRANSFERS									
Accounting Entity Transfers								\$1,510,851	1,510,851
Total Transfers								<u>1,510,851</u>	<u>1,510,851</u>
TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT	<u>\$1,206,056</u>	<u>\$111,911</u>	<u>\$124,956</u>	<u>\$104,395</u>	<u>\$259,081</u>	<u>\$11,960</u>	<u>\$92,551</u>	<u>\$1,510,851</u>	

These schedules are prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 28 through 33.

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF ADDITIONS AND DEDUCTIONS
TO AGENCY FUND ASSETS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

	<u>Additional¹</u> <u>Millage</u>	<u>Clearing²</u>	<u>All Other³</u>
Asset Balance, July 1, 1983	<u>\$ -0-</u>	<u>\$ 188,798</u>	<u>\$ 5,043</u>
Additions:			
Fiscal Year 1983-84	297,000	142,188	152,257
Fiscal Year 1984-85	932,286	197,482	21,626
Total Additions	<u>1,229,286</u>	<u>339,670</u>	<u>173,883</u>
Deductions:			
Fiscal Year 1983-84	140,000	326,909	155,188
Fiscal Year 1984-85	738,764	391,764	21,862
Total Deductions	<u>878,764</u>	<u>718,673</u>	<u>177,050</u>
Asset Balance, June 30, 1985	<u>\$ 350,522</u>	<u>\$(190,205)</u>	<u>\$ 1,876</u>

¹The center received \$366,982 and disbursed \$173,460 of additional millage in fiscal year 1984-85. The other \$565,304 of additions and deductions in fiscal year 1984-85 represent transfers of additional millage from an old to a new agency account and conversion of assets from one form to another (e.g., conversion of a receivable to cash as described below).

²This includes the Federal Assistance cash clearing account.

³This includes Pell grants, DECA, Student Government, and Office Education Association. Also, see footnote 6 on page 31 regarding accounting for Pell activity.

These schedules are prepared from the Statewide Budgeting and Accounting System. Additions and deductions represent all debits and credits, respectively, to asset account balances, including conversion of assets from one form to another (e.g., conversion of a receivable to cash). Additions and deductions to assets are not comparable to cash receipts and disbursements. Additional information is provided in the notes to the financial schedules on pages 28 through 33.

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF GRANT EXPENDITURES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

<u>Grantor Agency</u> <u>Grant Name and Number</u>	<u>Fiscal Year</u> <u>1984-85</u>	<u>Fiscal Year</u> <u>1983-84</u>
<u>U.S. Department of Education</u>		
Pell Grant Program	\$177,862	\$121,896
Supplemental Educational Opportunity Grant		
P008532408	6,835	-0-
P008542408	1,165	-0-
P008432408	-0-	7,500
P008442408	-0-	450
College Work Study		
P008512408	7,981	-0-
P008412408	-0-	8,407
<u>Montana Office of Public Instruction</u>		
Vocational Education	188,270	167,369
Guidance Grant	-0-	6,826
Personnel Grant	-0-	200
<u>Montana Commissioner of Higher Education</u>		
State Student Incentive Grant	3,850	4,010
<u>Private</u>		
Lula Mae Clay Endowment	500	-0-
Robert D. Davey Scholarship	<u>180^A</u>	<u>-0-</u>
Total	<u>\$386,643</u>	<u>\$316,658</u>

^AThis activity was not recorded on the center's accounting records. Billings Public School District No. 2 paid the scholarship directly to a center student on behalf of the center.

These schedules are prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 28 through 33.

BILLINGS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

<u>Quarter</u>	<u>Year</u>	<u>Contact Hours</u>	<u>Reported¹ FTEs</u>
Summer	1983	54,404	163
Fall	1983	133,536	401
Winter	1984	167,927	505
Spring	1984	133,045	399
Summer	1984	37,538	113
Fall	1984	148,483	445
Winter	1985	165,908	498
Spring	1985	143,220	430

¹This is the reported student contact hours divided by 333.3 contact hours as required by section 10.41.101 ARM, to determine full-time equivalent (FTE) enrollment.

BILLINGS VOCATIONAL-TECHNICAL CENTER

NOTES TO FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The state of Montana utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual except for the funds of Higher Educational units which are reported on the accrual basis of accounting.

Under the modified accrual basis and the accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

--If the appropriation provided funds to complete a given project, the entire amount of a contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

--The anticipated cost of equipment is expensed in the fiscal year in which budgeted.

--Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

B. Basis of Presentation

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments. Accounts are organized on the basis of funds according to state law. The following funds are used by the center:

GENERAL FUND - Used to record state General Fund support for the vocational-technical center and transfers of these moneys to the Current Unrestricted Subfund.

SPECIAL REVENUE FUND - Used to record moneys received from the Office of Public Instruction and transferred to the Current Unrestricted Subfund. Revenue recorded in the

Special Revenue Fund is also recorded as revenue in the Current Unrestricted Subfund. Due to the state's system for accounting for Special Revenue Fund revenues, these revenues are recorded twice on the Schedule of Revenue and Transfers In, once in the Special Revenue Fund, and again in the Current Unrestricted Subfund.

CURRENT FUNDS - Includes economic resources expendable for instruction, public service, and the allied support programs. The Current Fund is divided into four subfunds as follows:

Unrestricted Subfund - are funds received for which no stipulation was made by the donor or other external agency as to the purposes for which they should be expended.

Restricted Subfund - are funds available for financing operations which are limited by donors and other external agencies to specific purposes, programs, departments, or schools.

Designated Subfund - identifies financial activities related to special organized activities of educational programs wherein they are fully supported by supplemental assessments, and tracks special supplies and facilities fees that are approved for collection beyond normal course fees.

Auxiliary Subfund - exists to furnish goods or services to students, faculty, or staff through a fee charged for the cost, although not necessarily equal to the cost of the goods or services. The revenues are derived directly from the operation of the auxiliary enterprise itself.

AGENCY FUND - Include resources held by the center as custodian or fiscal agent for individual students, faculty, staff members, and organizations.

ENDOWMENT FUND - Donated funds which are invested in an interest bearing account utilizing only the interest for scholarships to students.

2. GENERAL FUND BALANCE

The General Fund is a Statewide Fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the Statewide General Fund as long as they stay

within their appropriation limits. Thus, on an agency schedule the beginning and ending fund balance will always be zero.

3. BUDGET INFORMATION

The center utilizes a fixed basis of budgeting. Appropriations of specific dollar amounts are set in the General and Special Revenue Funds for each fiscal year in a biennium by the Legislature. Appropriations control the financial operations of the center's General and Special Revenue Funds each fiscal year. At fiscal year-end, appropriations (with the exception of continuing appropriations) revert to the fund of original appropriation. The reverted appropriation balance may be used in the subsequent year as authorization for valid prior year obligations.

Budget amendments represent the authorization to spend funds not available for consideration by the Legislature but available from sources other than General Fund. Budget amendments are approved by the Governor's Office of Budget and Program Planning.

The center has established an administrative appropriation for budgetary control in the Current Unrestricted Subfund. Financial activity in the center's other funds and subfunds is not budgeted, as is allowed by state law.

4. LIABILITY FOR COMPENSATED ABSENCES

Employees for the center accumulate both vacation and sick leave. Qualifying classified employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Certified employees receive lump sum payments in accordance with contract provisions. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the center. Expenditures for termination pay currently are absorbed in the annual operating costs of the center. At June 30, 1985, the center had a liability of \$19,977 for vacation leave and \$10,394 for sick leave. Due to a change in the Billings Public Schools Master Agreements effective for fiscal year 1985-86, the

center has an additional liability of \$55,682 for 25 percent of instructor's sick leave earned prior to July 1, 1985.

5. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). Billings School District No. 2 contributes to these plans for the center. The center reimbursed Billings School District No. 2 for contributions to these plans as shown below.

	<u>Fiscal Year 1983-84</u>	<u>Fiscal Year 1984-85</u>
PERS	\$ 9,388	\$ 7,509
TRS	66,050	50,650

6. ACCOUNTING FOR PELL ACTIVITY

During fiscal year 1983-84 the center recorded financial activity for Pell grants in the Agency Fund, in accordance with state accounting policy. State accounting policy changed in fiscal year 1984-85, and the center started recording Pell activity in the Restricted Fund in accordance with the new policy during that fiscal year.

7. CENTER TRANSFERS

The center initially records most of its revenues in the General and Special Revenue Funds. It then transfers most of these moneys to the Current Unrestricted Subfund from which the funds are expended. As shown below, the center's financial activity appears to be \$1,510,851 and \$1,646,060 higher than it actually is in fiscal years 1983-84 and 1984-85, respectively, due to these transfers.

	<u>Fiscal Year</u> <u>1984-85</u>	<u>Fiscal Year</u> <u>1983-84</u>
Budgeted Expenditures and Transfers Out:		
General Fund	\$ 767,984	\$ 684,658
Special Revenue Fund	<u>878,122</u>	<u>831,112</u>
Total Budgeted Expenditures and Transfers Out	1,646,106	1,515,770
Less General Fund Budgeted Expenditures	<u>46</u>	<u>4,919</u>
Current Unrestricted Subfund Budgeted Transfers In	<u>\$1,646,060</u>	<u>\$1,510,851</u>

8. RELATED PARTY TRANSACTIONS

Billings Public School District #2 furnishes use of facilities, equipment, and certain services for the center at no charge. This activity is not recorded on the center's financial schedules. Center personnel estimate this economic support is about \$41,000 per year.

The building the center is occupying is reported on the district's financial statements. The district maintains the insurance on the building, as well as major maintenance. The center is not required to pay the school district for the use of the building, insurance, or maintenance.

Payroll is processed by the district and the processing charges are not billed to the center. The district bills the center for the center's payroll expenditures.

Equipment at the center, that is owned by the district, is reported on the district's financial statements. This equipment is on loan without charge to the center. Center personnel said the district purchased \$67,115 of equipment in fiscal years 1983-84 and 1984-85 with the center's additional levy money. The equipment is used at the center, but the school district retains title to the equipment.

9. INSURANCE

The center is insured by Billings School District #2 and Montana's self-insurance program, which is administered by the Department of Administration.

CENTER RESPONSE

Billings Vocational Technical Center

Phone (406) 652-1720

3803 Central Avenue

Billings, Montana 59102

April 17, 1986

Mr. James Gillett
Deputy Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

RECEIVED

APR 16 1986

MONTANA LEGISLATIVE AUDITOR

Dear Mr. Gillett:

This letter is in response to the audit findings of the Billings Vocational Technical Center conducted by your staff for the period ending June 30, 1985. The following are the Center's responses to the audit recommendations:

RECOMMENDATION NO. 1

- A. PROVIDE ADDITIONAL SBAS ACCOUNTING TRAINING TO APPROPRIATE PERSONNEL.
- B. OBTAIN GUIDANCE AND CLARIFICATION OF STATE ACCOUNTING POLICY FROM THE DEPARTMENT OF ADMINISTRATION WHEN NEEDED.
- C. ANALYZE MONTHLY ACCOUNTING REPORTS FOR REASONABLENESS.
- D. CORRECT THE ACCOUNTING RECORDS FOR THE MISSTATEMENTS NOTED DURING THE AUDIT.

Center Response:

The Center agrees with this recommendation and will provide training in concert with the Department of Administration, more closely analyze reports, and correct the necessary accounting records by the end of the current fiscal year.

RECOMMENDATION NO. 2

- A. WORK WITH THE BILLINGS PUBLIC SCHOOL DISTRICT NO. 2 TO DETERMINE THE PERIOD TO WHICH BENEFIT PAYMENT AMOUNTS REPORTED BY THE SCHOOL DISTRICT APPLY.
- B. CONTINUE RECONCILING SBAS PAYROLL AMOUNTS, INCLUDING ADVANCES, TO THE SCHOOL DISTRICT'S PAYROLL RECORDS.

Center Response:

The Center agrees with this recommendation and has begun reconciling all payroll records with Billings Public School District No. 2 and should be fully completed by the end of the current fiscal year.

RECOMMENDATION NO. 3

- A. ESTABLISH PROCEDURES TO ENSURE ACCURATE PREPARATION OF STUDENT ENROLLMENT REPORTS.
- B. SUBMIT A CORRECTED TWELFTH DAY ENROLLMENT REPORT FOR WINTER QUARTER, 1985.

Center Response:

The Center agrees with this recommendation and has revised procedures for ensuring accuracy of the student enrollment reports and will submit a corrected twelfth day enrollment report for Winter Quarter, 1985, by the end of the current fiscal year.

RECOMMENDATION NO. 4

WE RECOMMEND THE CENTER INVEST ALL ENDOWMENT FUNDS.

Center Response:

The Center agrees with this recommendation and will work with the State Board of Investments to implement this recommendation.

RECOMMENDATION NO. 5

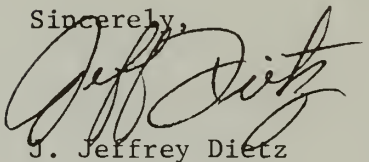
WE RECOMMEND THE CENTER REFUND THE UNOBLIGATED CETA CASH BALANCE TO THE GRANTOR AND CLOSE THE CETA ACCOUNT ON SBAS.

Center Response:

The Center agrees with the recommendation and has transmitted the closing documents to the Office of Public Instruction.

The Center extends its appreciation for the assistance that the audit has provided and for the professional assistance of the audit staff.

Sincerely,



J. Jeffrey Dietz
Director

JJD:mh

